

Message Text

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ACTION AF-18

INFO OCT-01 NEA-10 ADP-00 SCEM-02 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-03

USIA-12 PRS-01 RSR-01 /121 W
----- 010570

R 231130 Z MAY 73

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 6591

INFO AMEMBASSY TRIPOLI

USINT CAIRO

C O N F I D E N T I A L KHARTOUM 1155

EO 11652: N/ A

TAGS: ECON, PINT, SU

SUBJ: GOS RAISES PRICES ON BASIC COMMODITIES

1. SUMMARY: GOS LATE YESTERDAY ANNOUNCED MAJOR PRICE INCREASES IN BASIC COMMODITIES OF SUGAR, PETROLEUM PRODUCTS AND CIGARETTES. WHILE INCREASES APPEAR ECONOMICALLY SOUND, PUBLIC REACTION CLEARLY UNFAVORABLE AND TIMING OF DECISION APPEARS CURIOUS AND POSSIBLY INEPT. POLITICAL CONSEQUENCES ARE NEGATIVE, BUT NIMAIRI MAY HAVE BUILT IN ESCAPE HATCH AND MAY BE PLANNING AT LEAST PARTIAL ROLL BACK OF INCREASE IN RESPONSE " PUBLIC WILL". END SUMMARY.

2. GOS, IN SURPRISE MOVE MAY 22, RAISED CONTROLLED PRICES BASIC COMMODITIES SUGAR, CIGARETTES AND PETROLEUM PRODUCTS. INCREASES RANGED FROM 43 PERCENT FOR SUGAR (FROM 7 TO 10 PIASTERS- PT) TO 33 PERCENT FOR CIGARETTES (FROM 30 TO 40 FOR PACKAGE OF 20) TO FROM 17 TO 31 PERCENT FOR VARIOUS PETROLEUM PRODUCTS (BENZINE NOW COSTS 35 PT, KEROSENE 12 PT AND DIESEL 10.5 PT-- ALL PER GALLON). PROVIDING A MODICUM OF BALANCE, DECREASE OF 1 PT OR 13 PERCENT IN PRICE OF COOKING OIL WAS ALSO ANNOUNCED.

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EM SUGAR MOST CRITICAL - INCREASE IN PRICE OF SUGAR HAS GREATEST IMPACT WITH AVERAGE SUDANESE FAMILY CONSUMING MINIMUM ONE LB. PER DAY. TOTAL INCREASE PER MONTH THUS IN VICINITY ONE SUDANESE POUND (LS) WHICH OF NO SMALL IMPORT TO WORKING MAN EARNING FROM TEN TO TWENTY POUNDS PER MONTH.

4. PUBLIC UNHAPPINESS: WHILE WE UNABLE CONFIRM SOME REPORTS WE HAVE HEARD OF PUBLIC DEMONSTRATIONS AGAINST PRICE INCREASES AND SPECIFICALLY NAMING NIMAIRI AND HIS ADVISORS, THERE IS NO DOUBT THAT THERE IS ACUTE PUBLIC UNHAPPINESS WITH GOS DECISIONS. WHETHER THIS DISCONTENT WILL TAKE FORM OTHER THAN PRESENT GRUMBLING REMAINS TO BE SEEN. (AS IMMEDIATE CONSEQUENCE, THERE HAS BEEN SOME SPECULATION THAT ATTENDANCE AT MAY 25 CELEBRATIONS MAY BE SHARPLY REDUCED.) IN ANY EVENT, THERE APPEARS PRESENTLY BE MORE PUBLIC CRITICISM OF REGIME THAN DURING PAST EIGHTEEN MONTHS.

5. COMMENT: ECONOMICALLY SOUND. INCREASES PARTICULARLY IN SUGAR AND PETROLEUM PRODUCTS ARE STEPS THAT ARE EITHER NECESSARY OR HAVE BEEN STRONGLY RECOMMENDED ON ECONOMIC GROUNDS. IMF HAS BEEN URGING GOS TO INCREASE REVENUES, PARTICULARLY THROUGH SUGAR INCREASE, FOR LAST FIFTEEN MONTHS. AS FOR PETROLEUM, WITH RISE IN CRUDE PRICES, GOS AND OIL COMPANIES HAVE BEEN ON COLLISION COURSE FOR SOME TIME WITH NO OTHER WAY OUT THAN TO PASS INCREASES ON TO CONSUMER. HENCE ON ECONOMIC GROUNDS, DECISIONS ARE RATIONAL AND NEEDED.

6. POLITICALLY PROVACATIVE: POLITICALLY, HOWEVER, TIMING OF MOVE IS AT BEST CURIOUS AND POSSIBLY INEPT. NIMAIRI IS BESET WITH ECONOMIC/ POLITICAL PROBLEMS INCLUDING LABOR TENSIONS, PUBLIC DISCONTENT OVER INFLATION AND COMMODITY SHORTAGES DUE IN PART TO INEFFICIENT DISTRIBUTION. IT IS THUS HARD TO UNDERSTAND WHY GOS HAS CHOSEN TO EXACERBATE PROBLEM, PARTICULARLY WITH REGRESSIVE ECONOMIC DECISIONS WHICH AFFECT POOREST MAN HARDEST. PUZZLE INCREASED SINCE REGIME ITSELF HAS CITED DOMESTIC POLITICAL DIFFICULTIES TO IMF AND OTHERS AS REASON FOR BEING UNABLE TO TAKE SUCH MEASURES. FINALLY, TO ANNOUNCE SUCH CLEARLY UNPOPULAR STEPS JUST BEFORE MAY 25 CELEBRATIONS WITH RISK OF CROWD DEMONSTRATIONS OR BOYCOTT OF CELEBRATION IS CURIOUS AT BEST.

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UM REASONS FOR ACTING NOW: PERHAPS NIMAIRI HAS BEEN CONVINCED, WITH ADVICE HIS ECONOMIC RIGHT HAND, IBRAHIM MONEIM MANSOUR, THAT FOR ECONOMIC REASONS STEPS CAN NO LONGER BE PUT OFF. THERE ARE CERTAINLY INDICATIONS OF INCREASING ECONOMIC PRESSURE AND WHILE THESE MEASURES WILL NOT BE A PANACEA, THEY ARE MOVES IN RIGHT DIRECTION. ALTERNATIVELY, NIMAIRI HAS BEEN ACTING IN RECENT WEEKS AS MAN WHO FEELS HE IS OPERATING FROM POSITION OF

STRENGTH. HE MAY HAVE SIMPLY CONCLUDED IN HIS OFTEN BOLD B
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